

**U.S. Department of
Homeland Security**
3003 Chamblee-Tucker
Road



**Homeland
Security**

March 2, 2005

MEMORANDUM

TO: Joseph F. Picciano
Acting Regional Director, FEMA Region II

FROM: Gary J. Barard
Field Office Director

SUBJECT: Municipality of Mayagüez
FEMA Disaster no. 1247-DR-PR
Audit Report No. DA-12-05

The Office of Inspector General (OIG) conducted an audit of the public assistance funds awarded to the Municipality of Mayagüez, Puerto Rico. The objective of the audit was to determine whether the Municipality accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Municipality received an award of \$13.1 million from the Puerto Rico Office of Management and Budget, a FEMA grantee, to remove debris, provide emergency protective measures, and repair roads and other public facilities damaged as a result of Hurricane Georges in September 1998. The award provided 90 percent FEMA funding for 33 large projects and 33 small projects¹. Audit work was limited to the 31 completed large projects and 33 small projects. Large project numbers 09452 and 13518 were excluded from the audit.

The audit covered the period of September 1998 to July 2004. During this period, the Municipality claimed \$13,848,504 (See Exhibit) and received \$11 million of FEMA funds under the projects audited. The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the Municipality's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

RESULT OF AUDIT

Prior to our audit, FEMA disallowed \$1,260,522 of debris removal charges under three of the large projects audited because the amount of debris reportedly removed and claimed exceeded the amount verified by FEMA. However, based on our audit, we found additional questioned charges of \$328,462 (FEMA Share - \$295,616) resulting from small projects that were not completed, and unsupported and duplicate charges. Additionally, the Municipality earned \$11,180 of interest on FEMA funds that should have been, but was not returned to FEMA.

A. Small Projects Not Completed. In accordance with Federal regulation (44 CFR 206.205), the grantee provided the Municipality 100 percent FEMA funding for small projects at the time small projects were awarded. This regulation does not require the Municipality to specify the amount spent under small projects, but does require the Municipality to certify that small projects have been completed in accordance with the approved scope of work. Federal payments may be required to be refunded if all work is not completed. The Municipality certified that all work had been completed for the 33 small projects. However, as a result of field inspections, we found that work valued at \$63,072 under 19 small projects was not completed, as follows:

1. The period to implement four road repair projects lapsed on September 21, 2002. However, as of July 2004, the Municipality had not completed work valued at \$4,506 under these projects, as illustrate below:

<u>Project Number</u>	<u>Amount Received</u>	<u>Sector/Wards</u>	<u>Activities Not Implemented</u>	<u>Amount Questioned</u>
04021	\$ 7,520	Horto Sector	Aggregate Base	\$ 320
04023	20,352	Villas de San Francisco	Culvert Pipe Cleaning	32
04038	18,251	Soledad Community	Curb Removal	282
			Curb and Gutter	1,692
04052	<u>2,500</u>	Leguizamo Ward	Curb	500
			Galvalum Roof	<u>1,680</u>
Total	<u>\$48,623</u>			<u>\$4,506</u>

2. The scope of work for several small projects required the Municipality to repair roads with 1,632 tons of asphalt. However, the Municipality repaired the roads with 996 tons of asphalt. Accordingly, we question \$36,694, the costs of 636 tons of asphalt that was not used.

<u>Project Number</u>	<u>Amount Approved</u>	<u>Asphalt Tons Approved</u>	<u>Asphalt Tons Used</u>	<u>Asphalt Tons Unused</u>	<u>Cost Per Unit</u>	<u>Amount Questioned</u>
04020	\$20,187	291	264	27	\$57	\$ 1,539
04021	7,520	110	55	55	57	3,135
04023	20,352	192	144	48	57	2,736
04024	10,957	89	45	44	75	3,300
04025	3,222	46	23	23	57	1,311
04026	7,278	104	52	52	57	2,964
04027	9,778	178	89	89	55	4,895
04032	3,992	72	36	36	55	1,980
04039	2,862	41	21	20	57	1,140
04040	7,261	57	28	29	57	1,653
04041	6,848	125	75	50	55	2,750
04061	17,043	299	150	149	57	8,493
04062	<u>1,596</u>	<u>28</u>	<u>14</u>	<u>14</u>	57	<u>798</u>
Total	<u>\$118,896</u>	<u>1,632</u>	<u>996</u>	<u>636</u>		<u>\$36,694</u>

3. The Municipality received awards totaling \$20,472 for three small projects. However, as of July 2004, five years after the awards were made, the Municipality had not begun or demonstrated any intention to implement the projects. Accordingly, the \$20,472 awarded under these projects should be re-funded. The affected projects are:

<u>Project Number</u>	<u>Amount Awarded</u>
04037	\$12,022
04058	1,200
13451	<u>7,250</u>
Total	<u>\$20,472</u>

4. The Municipality received \$3,000 under small Project 04035 to repair 60 lineal feet of guardrail at Quebrada Grande Ward. However, we found that only 32 lineal feet of guardrail was repaired. Therefore, we question the 28 lineal feet valued at \$1,400.

B. Unsupported Charges. The Municipality claimed \$530,241 under several projects to repair roads at different facilities. However, the Municipality had documentation (i.e. invoices, cancelled checks, etc.) to support only \$354,735. This discrepancy occurred because the Municipality based its claim on the amount awarded rather than actual cost. Federal regulation (44 CFR 13.20) requires subgrantees to maintain supporting documentation for all charges to FEMA projects. Therefore, we question the unsupported difference of \$175,506 as follow:

<u>Project</u>	<u>Amount Claimed</u>	<u>Amount Supported</u>	<u>Amount Questioned</u>
04044	\$ 47,148	\$ 30,680	\$ 16,468
09443	119,049	38,958	80,091
09445	<u>364,044</u>	<u>285,097</u>	<u>78,947</u>
	<u>\$ 530,241</u>	<u>\$ 354,735</u>	<u>\$175,506</u>

C. Interest Earned on FEMA Funds. The Municipality deposited FEMA funds in an interest bearing account and earned interest of \$11,180. However, the Municipality did not remit the interest to FEMA as required by Federal regulation (44 CFR 13.21).

D. Duplicate Funding. According to the Stafford Act, FEMA can not provide funding for losses that are covered by other sources. However, under FEMA Project 09445, the Municipality claimed \$89,884 to repair roads that were also funded by the U.S. Department of Housing and Urban Development (Project Numbers CDB 97008 and CDB 98008). Therefore, we question the \$89,884 of duplicate funding.

RECOMMENDATIONS

The OIG recommends that the Regional Director, in coordination with the grantee:

1. Disallowed the \$328,462 questioned costs.
2. Recover from the Municipality and remit to FEMA, \$11,180 of earned interest.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with grantee officials on January 26, 2005, with FEMA officials on February 14, 2005, and with Municipality officials on February 15, 2005. Municipality officials concurred with Findings B, C, and D but withheld comment on Finding A pending receipt of the audit report.

Please advise the Atlanta Field Office-Division by June 2, 2005, of the actions taken to implement the OIG recommendations. Should you have any questions concerning this report, please contact me at (770) 220-5242 or Salvador Maldonado at (787) 294-2532.

EXHIBIT

Municipality of Mayagüez
FEMA-Disaster 1247-DR-PR
Schedule of Claimed and Questioned Costs
And Costs to be De-obligated

Large Projects

<u>Number Project</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Disallowed By FEMA</u>	<u>Questioned Costs</u>
00325	\$ 384,890	\$ 1,612,532	\$1,227,617	
00326	497,528	497,576	48	
00327	748,407	748,407		
00329	1,017,732	1,017,731		
00330	1,240,186	1,240,187		
00331	355,764	355,764		
00332	407,620	407,620		
00333	139,815	139,817		
00334	135,417	135,417		
02672	861,006	861,006		
02676	1,384,081	1,384,081		
04044	47,148	47,148		\$ 16,468
05003	397,114	397,116		
06352	531,886	531,886		
06353	519,688	519,688		
06354	488,490	488,490		
06355	636,101	636,101		
08359	258,685	258,685		
08360	315,362	315,362		
08361	125,495	125,495		
08362	254,733	254,733		
08363	115,539	115,539		
08364	77,444	77,444		
09443	119,049	119,049		80,091
09445	364,044	364,044		168,831
09447	68,216	68,216		
09451	180,279	178,525		
09454	237,931	281,800		
11852	59,200	59,200		
13462	82,144	115,001	32,857	
15809	46,200	46,200		

Sub-Total	\$12,097,194	\$13,399,860	\$1,260,522	\$ 265,390

Small Projects

04020	\$ 20,187	\$ 20,187		\$ 1,539
04021	7,520	7,520		3,455
04023	20,352	20,352		2,768
04024	10,957	10,957		3,300
04025	3,222	3,222		1,311
04026	7,278	7,278		2,964
04027	9,778	9,778		4,895
04032	3,992	3,992		1,980
04035	33,745	33,744		1,400
04037	12,022	0		12,022
04038	18,251	18,251		1,974
04039	2,862	2,862		1,140
04040	7,261	7,261		1,653
04041	6,848	6,848		2,750
04052	2,500	2,500		2,180
04058	1,200	1,200		1,200
04061	17,043	17,043		8,493
04062	1,596	1,596		798
13451	7,250	7,250		7,250
Other 14 small projects	\$ 266,803	\$ 266,803		
Sub-Total	\$ 460,667	\$ 448,644		\$ 63,072
Total	\$ 12,557,861	\$13,848,504	\$1,260,522	\$328,462